COUNCIL OF
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**NOTE**

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| from: | General Secretariat of the Council |
| to: | Delegations |
| Subject: | Partial summary record of the meeting of the European Parliament **Committee on International Trade (INTA)**, held in Brussels on 1 April 2014<br>- Items 2 to 11 and 13 |

**At its last meeting before the parliamentary recess, the Committee held an exchange of views with Commissioner DE GUCHT on EU trade policy under this Commission's term. It also discussed with Prof. PELKMANS from CEPS the merits of the different impact analyses on TTIP and heard a presentation from the Commission on its proposal for a Council Decision providing Macro-Financial Assistance to Ukraine. As expected, all the MEPs who took the floor on behalf of the political groups were critical of the Commission's decision to propose assistance to Ukraine under Article 213 TFEU, rather than Article 212 TFEU, which provides for co-decision procedure.**

The meeting was chaired by Mr MOREIRA (S&D, PT) for items 1 to 5 and by Mr STURDY (ECR, UK) from item 6 onwards.

***Item 2 on the agenda***
**Adoption of agenda**

The agenda was adopted.

*Item 3 on the agenda*

**Approval of minutes of meeting of**

- 19-20 March 2014

The minutes were approved.

*Item 4 on the agenda*

**Chair's announcements**

The Chairman announced that:

- Very importantly for the EU, the WTO has ruled against China on rare earths.
- The EPA with West Africa is politically adopted. There are some outstanding technical issues to be still worked out.
- Following the 7th round of negotiations with Vietnam, there is now an agreement to close the negotiations by October 2014.

*Item 5 on the agenda*

**Exchange of views with Karel De Gucht, Commissioner for Trade, on EU trade policy under this Commission's term**

Mr DE GUCHT provided an overview of the developments in EU trade policy since 2010 when he came into office. He argued that in recent years more than ever trade has been a key policy instrument sustaining the EU's economic growth, with net exports contributing 0.5-1% to EU GDP each year since 2010. He gave an overview of the new-generation bilateral trade negotiations that are currently underway and the agreements finalized during his term. He also elaborated on the results achieved in the WTO context, on the measures taken as regards developing countries and conflict minerals, and on the work the Commission has carried out in defending the interests of EU companies in the world, including its proposal for modernizing the EU's trade defence instruments (TDI) and its planned guidelines on TDI. Illustrating his point with statistical data, he stressed that he has also been committed to increase the flow of information with the EP, and took the view that his cooperation with the EP had been excellent during his term.

While differing in their views on certain policy choices, the representatives of all the political groups agreed with this assessment of the cooperation between the EP and the Commission and thanked Mr DE GUCHT for his work. As regards specific issues, Mr FJELLNER (EPP, SE) made the point that the Commission should wait for the outcome of the EP vote on the TDI file in the EP's next session in Strasbourg before it would issue its guidelines. He also raised the question of legal developments during this Commission's term. Mr LANGE (S&D, DE) and Mr JADOT (Greens/EFA, FR) stressed the importance of effective sustainability chapters in trade agreements. Mr JADOT furthermore highlighted citizens' concerns as regards globalisation, taking the view that EU's trade policy would have to better reflect those concerns in the coming years. Mr SCHOLZ (GUE, DE) supported this criticism, arguing that the EU's future trade policy should focus more on certain horizontal issues, such as ideas about how people would like to live and produce and consume goods, as well as sustainability, human rights and a new industrial policy, which in his view was urgently needed. Finally, several members underlined the importance of the transparency of trade negotiations.

In reply to Mr FJELLNER, Mr GUCHT said on legal developments, that he could not agree with the Council forcing mixed agreements on the EU to be able to vote by unanimity, and announced that the Commission had a firm intention to go to the Court of Justice on this in the coming weeks.

On transparency, he distinguished between the EU institutions and the general public. For him, in principle, there was no reason why any information should be withheld from the EU institutions. He therefore did not agree with the US approach, which foresees a reading room procedure in the Congress and by extension also in the EU. He further noted that for him, the EP should get the same documents as the Council, adding that this was a difficult issue with the Council, which has refused, for example, to give its negotiating mandate on TTIP to the EP. As regards the general public, giving them the negotiating positions of the EU was more problematic, given that this information was not always used in a correct and responsible way.

As regards EU's overall approach, Mr DE GUCHT took the view that the process of globalisation was irreversible and therefore the EU had to deal with it, seeing how it could best defend its interests in the process. He further argued that all studies show that there are benefits of trade agreements with third countries, which did not mean that there were not going to be any costs or problems. Turning to sustainability, he pointed out that the EU was maintaining its approach, even though third countries put a price on this for the EU, as was the case in recent negotiations with the East African Community. On the other hand, the EU could not turn trade negotiations into negotiations on fundamental and environmental rights. Therefore, in his view, it was essential to strike a balance in this regard.

***Item 6 on the agenda***

**The World Bank Trade Strategy, 2011-2021**

INTA/7/07632

- Exchange of views with Jeffrey D. Lewis, Director of the International Trade Department at the World Bank

Mr LEWIS gave an overview of the role of the World Bank Group (WBG) in the area of trade, stressing that the WBG deals with trade issues in the context of its overall objective of promoting growth, especially in developing countries. He explained that the WBG has a diverse toolkit on trade, including  lending, technical assistance, knowledge work, advocacy and outreach with various other international organisations. Its distinct advantage in this area is that in addition to being able to diagnose problems, it has also a portfolio with which it can fix things that might not be addressed in the countries concerned, due to trade-offs between different needs. Giving an overview of WTB's activities in the area of trade in recent years, he highlighted, in particular, the WTB's role as regards trade facilitation (which accounts for 50% of its portfolio), including in the context of the WTO negotiations and the deal reached in Bali. He further noted that the WTB also deals extensively with food security issues, monitoring inter alia the impact of food security measures on trade. On EU issues, he pointed out that WTB had published a report on Greek logistics in 2013 and was going to launch its report on the functioning of the EU-Turkey customs union in a few weeks in Ankara. Finally, he pointed out that WTB was keeping an eye on the TTIP negotiations with a view to analysing whether the agreement might not have unexpected negative side effects for developing countries, making their access to the EU and US markets more difficult.

*Item 7 on the agenda*

**Presentation of the detailed appraisal of the Commission's impact assessment accompanying the proposal for the EU-US Transatlantic Trade and Investment Partnership**

Professor Jacques PELKMANS from the Centre for European Policy Studies (CEPS) gave an overview of the results of a study on TTIP that the EP had requested from CEPS. He explained that the task of CEPS had been to analyse the appropriateness and validity of the economic modelling behind the Commission's Impact Analysis (IA) on TTIP, which means that the study was mainly an economic analysis. More particularly, the EP had asked CEPS to assess whether the Commission had been right to use CGE modelling in its IA, whether it had adequately assessed the environmental and social impacts of TTIP, used appropriate samples of sectors and made reasonable assumptions and analysed in sufficient detail the options and the potential impacts. The EP also wanted to know how the Commission's IA compared with other recent studies on the potential TTIP agreement.

Trying to avoid going into technical details, Mr PELKMANS gave a generally very positive assessment of the Commission's IA, stressing that the CGE model it had used is the best model currently available for assessing the impact of trade agreements, despite some of its limitations. In his view, the Commission had also correctly covered the most important sectors concerned. As regards environmental and social impacts, the CGE model only allowed for a limited analysis, but the Commission had just launched a separate Sustainability Impact Assessment (SIA) on TTIP, so its approach was right in this sense as well. Concerning the options and the potential impacts, Mr PELKMANS elaborated on the issue of spillover impact of TTIP beyond the US and EU, which, for him, was covered in the Commission IA in a somewhat simplified manner. Based on the CEPS analysis, he took the view that beyond the five countries directly linked to the EU and US (Canada, Mexico, Norway, Switzerland and Turkey), other countries might not have a very strong urge to join the EU and the US. Finally, as regards the other studies, he divided them into two:

- satellite studies, which were an extension of the CEPR study applied to single countries;
- other approaches, such as the Fontagne *et al*. (2013) study concerning NTBs on services, which estimated them to be much higher than in the Commission IA (without publishing its methodology); and the Bertelsmann/GED (2013) study using a simulation-based method to quantify NTBs.

He dismissed the Bertelsmann study as an unreliable source, arguing that "simple examples show that their results are impossible".

In the following debate, several MEPs asked for a more detailed explanation on the questio of the reliability of the Bertelsmann study, which they deemed to be the most quoted. Mr JADOT (Greens/EFA, FR) and Mr LANGE (S&D, DE) also wondered how the savings to be made on NTBs, as well as the social impact of TTIP would be evaluated, given that current studies have given very divergent results in this regard and the Commission has only now started to analyse sustainability issues. In this context Mr JADOT also criticized the Commission's approach of putting different figures in its press releases, which have announced inter alia that TTIP would bring 545 euros of additional income on average per EU household per year.

In reply, the Commission representative explained that economic modelling concerning predictions for 15 to 20 years down the road would always give imperfect results. Their approach was used because it was the best available and because it gives a sense of the ranges of possible figures. When it gave figures to the general public, these were simply illustrative. As regards the reduction of the cost of regulatory barriers, it was more important that TTIP was not going to deregulate, but allow for complying with regulations in a less costly way. He also agreed that it is very hard to put a figure on the jobs TTIP would create, which is also why the Commission did not address this issue in its first report.

Mr PELKMANS agreed with this analysis, adding that the impact on jobs has been indirectly covered to the extent that the existing model can be interpreted so as to predict a reallocation between sectors which are going to have more or less demand for jobs in them. Beyond that, more exact modelling was difficult. The coming SIA, nevertheless, was going to be much more detailed on sectoral employment and other things, outside the CGE model.

As regards the Bertelsmann study, he explained that its key figures, such as the GDP gain – 13% for the US and 5% for the EU – were clearly out of proportion, given that, for example, the US trade with the EU currently accounts for 3.5% of its GDP, and is already largely liberalised. Also, according to the Bertelsmann study Canada would lose 9% of its GDP, much more that it has lost from the crisis. In the context where Canada is deep into NAFTA, has 86% of its trade with the US and Mexico, and has already a trade agreement with the EU, this was simply not possible. Given that the model approach of the Bertelsmann study was so "wild", he took that view that he wouldn't trust this study on its other aspects either.

On a final note and in a reply to a question put by Mr STURDY, he said that he was optimistic about the impact of TTIP, as all of its criticism have been flatly denied in the assignment of the mandate and he trusted the mandate at the moment. As regards the level of ambition of the outcome, he was more cautious. While a number of things could be done, including with REACH, which he had studied in more detail, the outcome would also depend on the extent to which the US and EU regulators were willing to make compromises.

***Item 8 on the agenda***

**State of play of ongoing trilogue negotiations**

INTA/7/04325

- Exchange of views

Mr STURDY announced that on 20 March the 5th informal trilogue was held on the ISDS financial responsibility regulation where the proposals put forward by the Greek presidency on Articles 1, 8, 9 and 13 were discussed. There was broad agreement in the trilogue on the main issues, other than on the question of competency on Article 1. This issue was then discussed in the Council at a COREPER meeting, where a compromise was found on which the EP was reflecting. The next trilogue on this issue was going to take place on 2 April. If at this meeting the compromise was to be found, INTA was going to have to be convened for an extraordinary meeting to vote on the outcome. The coordinators were going to take a decision at the end of the ongoing INTA meeting about when the meeting would take place.

*Item 9 on the agenda*

**Proposal for a Council Decision providing Macro-Financial Assistance to Ukraine**

COM(2014)0182

- Presentation by Maarten Verwey, Deputy Director-General, DG ECFIN, Commission

In his statement the Commission representative, Mr VERWEY first elaborated on the background of the Commission proposal. He stressed that while the economy of Ukraine was very weak already before the current crisis, the situation has now aggravated to a point where it is clear that without substantial support it would face a collapse. He recalled that IMF has estimated the overall financing needs of Ukraine in the two years to come to be 27 billion dollars, of which IMF would provide 14-18 billion itself. He further noted that the IMF programme, announced on 27 March, was going to cover exchange rate management, fiscal consolidation, energy and financial sector reform and governance, and was expected to be approved by the IMF Executive Board in April.

Turning then to the Commission proposal, Mr VERWEY explained that it foresees a new MFA operation of 1 billion euros, complementing the existing EU assistance of 610 million euros, which was approved already in 2002 and 2010 but has never been disbursed. He said that according to the Commission plans, the whole amount of 1,61 billion euros would be disbursed in 2014 in the following way:

- The new assistance is expected to be disbursed in two tranches of 500 million each, with the first one released in May and the second one in the 3rd or 4th quarter of this year.
- The existing MFA will be disbursed in three tranches, with the first one released shortly after the IMF board has approved the IMF programme.

He also mentioned that the Commission representatives were in Kiev as he spoke, negotiating the details of EU conditionality, which would be fully consistent with the conditions of IMF, but also put a high priority to public finance management systems in Ukraine, including for the use of MFA.

As regards the legal base, Mr VERWEY asked the MEPs for their understanding. He stressed that the proposal was exceptionally based on Article 213 TFEU because of urgency, while the standard remains to be Article 212, i.e. co-decision. He added that the Commission has clarified this also in the text of the proposal, which provides, in addition, for regular information to the Council and the EP on developments regarding the MFA.

In the debate that followed, Mr LANGE (S&D, DE), Mr SCHOLZ (GUE, DE) and Mr DARTMOUTH (EFD, UK), speaking on behalf of their political groups, nevertheless strongly criticized the Commission for its choice of the legal base and the urgency procedure. Mr LANGE took the view that this was yet another case in which the Commission was misusing trade instruments for political purposes. He further argued that conditionality issues related to MFA had not been properly analysed because of the chosen procedure. Mr SCHOLZ wanted to know, *inter alia*, why the EU could not wait until Ukraine's new government was in place to sign an agreement for MFA. Mr DARTMOUTH asked for clarifications on the terms of the loan and on the conditionality of the first payment of the MFA.  All three wondered what the budgetary implications of the new MFA would be.

In reply, Mr VERWEY explained that the Commission had seriously looked into the feasibility of following the normal procedure, but in the final judgement this was considered to delay the process for at least a month, with a risk of a far greater delays. The situation was considered very urgent, because a very large part of the financing needs of Ukraine would fall on the coming 4 months, which were also going to be politically a crucial period of time. In the context where the IMF was going to take care of a very large part of the financing needs, its non-European board members expected the EU to participate in burden sharing, while the Ukrainian people needed a strong political signal of support from the EU. For Mr VERWAY, this could certainly not be considered a case of misusing trade instruments for political aims, as MFA is meant for countries with balance of payments problems and this is exactly the case with Ukraine.

As regards conditionality, Mr VERWEY pointed out that EU assistance includes a very important condition, namely, that the fulfilment of the IMF conditionality would have to be on track. This applies also to the first instalment, which can only be released once the IMF programme is in place and Ukraine has filled a substantive number of prior actions for it. Given that the other EU conditions are currently being negotiated with the Ukrainians, and will also be discussed by a committee including representatives of the Member States, this could certainly not be considered giving *carte blanche* for disbursing the money.

Finally, concerning the loan arrangements, Mr VERWEY noted that this was a case where the EU was passing the benefits of its good credit standing in the market on to the states that obtain its assistance. As the EU would have its own borrowing costs, these would have to be recovered. On the budgetary implications, the Commission had estimated pursuant to the rules in force that for the new MFA the EU would need a relatively modest additional provisioning of 82 million euros. According to Mr VERWEY, this could be accommodated without too many difficulties.

***Item 10 on the agenda***
**Any other business**

There was no other business.

***Item 11 on the agenda***
**Approval of minutes of meeting of 1 April 2014**

The minutes were provisionally approved.

***Item 13 on the agenda***
**Next meeting(s)**

The constituent meeting of the Committee after the EP elections will be held on 7 July.